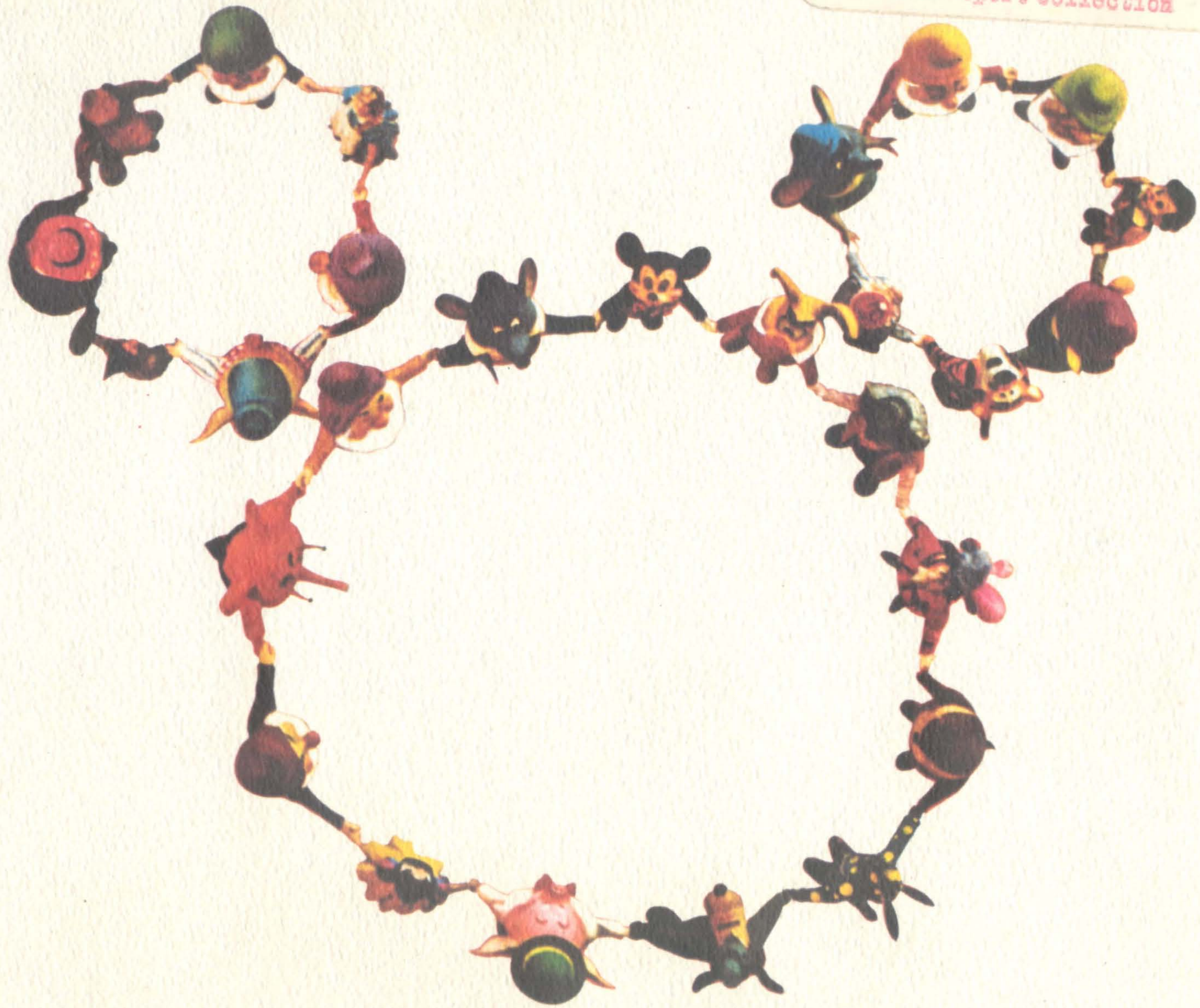
WALT DISNEY PRODUCTIONS ANNUAL

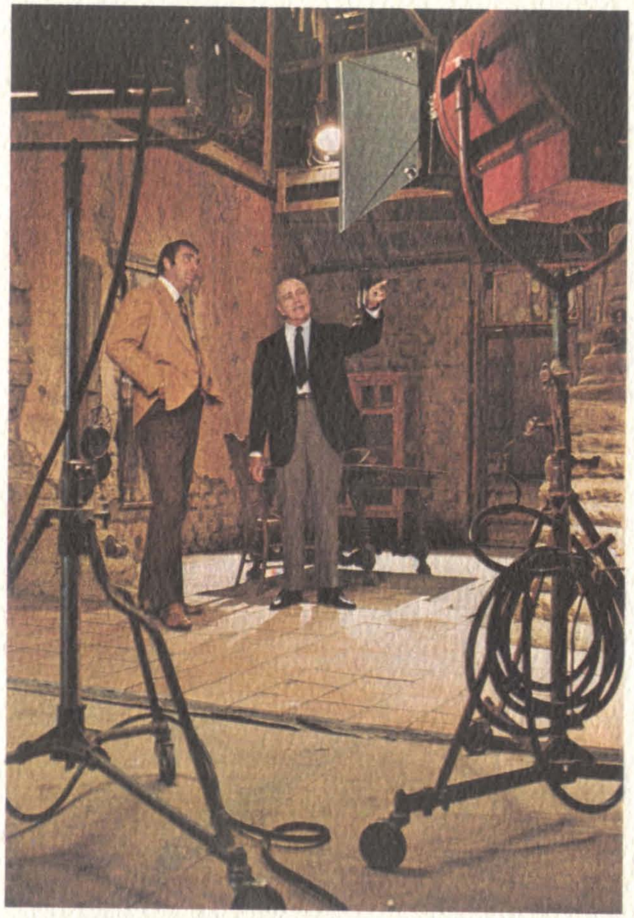
to shareholders and emp



BOARD OF DIRECTORS

*E. CARDON WALKER**
Executive Vice President and Chief Operating Officer

*DONN B. TATUM**
President and Vice Chairman of the Board



RONALD W. MILLER
Vice President
Executive Producer

WILLIAM H. ANDERSON
Vice President
Production and Studio Operations

GEORGE L. BAGNALL
President — George Bagnall and Associates

ROY E. DISNEY
Producer

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Senior Partner
Youngman, Hungate and Leopold

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President (Retired)
Bank of America

**Member Executive Committee*

A WORD FROM ROY O. DISNEY

The year 1971 starts us down the homestretch to the opening day of the Walt Disney World project in Florida. This past year has been a very fascinating and intriguing one for those of us closely involved in its development and building. Naturally, there have been some problems, but they are all of the type that are inherent in any big job, and none have been impossible to solve.

In the beginning, we planned for the theme park to accommodate 8 million guests annually, but we now feel that estimate was too conservative, and we are planning the park to handle a 10 million visitor load. This increased scope has necessitated the addition of several rides and the expansion of others, which, in turn, has given rise to some substantial additional costs.

Further, due to the accelerating inflationary trends in the cost of labor and construction materials, from which we have not been immune, we believe that the more things we can do this year — even at the present level of cost — the better off we will be in the long run. We feel sure that it is best to proceed on this course rather than to postpone or curtail any part of the project, because everything is sure to be more costly in later years.

Finally, additional business opportunities related to the project have opened to us as we have gone along, and we are planning to take advantage of them.

For these reasons, it now appears that our early estimate of corporate investment is going to be substantially exceeded. Most of this represents increased scope.

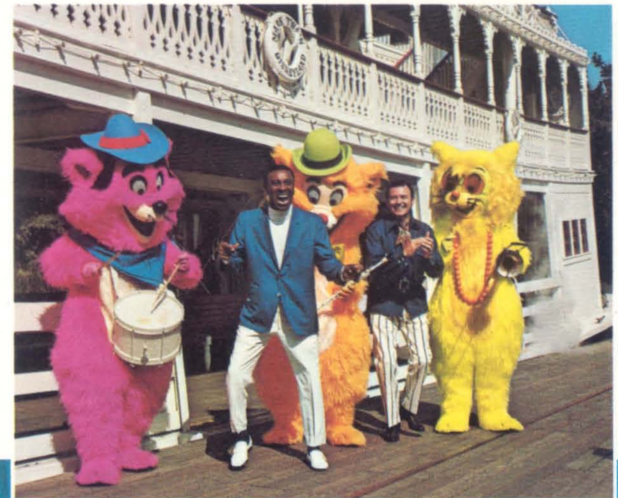
As a result, and after discussing the subject with our Board of Directors, our Bankers and our Investment Bankers, we are proceeding to arrange for the additional necessary financing. The final form of this additional financing will be determined and made public by the time this Annual Report reaches you.

Roy O. Disney
Chairman of the Board

*ROY O. DISNEY**
Chairman of the Board

1970
YEAR OF TRANSITION

By E. Cardon Walker
Executive Vice President and Chief Operating Officer



THE ARISTOCATS: *Throughout November, singer Scatman Crothers, Fulton Burley of Disneyland's Golden Horseshoe Revue and three colorful "Scatcats" visited twenty cities across America to herald the Christmas opening of this all-new animated feature. The tour included visits to children's hospitals and local television shows, and these costume characters also made appearances in the Macy's Thanksgiving Day Parade and the Rose Parade.*

DISNEY ON PARADE: *During the 1971-72 season, two unique and totally different productions will visit 84 cities.*

Of most immediate interest to those who closely follow the progress of Walt Disney Productions is the fact that 1970 brought record revenues and earnings to the Company. Much less visible, but of even greater importance, is the far-reaching transition which has been taking place within the organization during the past year.

Preparations for the opening of Walt Disney World moved into high gear, and along with the day-to-day challenges of master planning, show development and construction, major decisions had to be made in the areas of marketing and operational policy, staffing and personnel procurement.

The Company also attained a major goal in developing its own construction organization, which, in future phases of Walt Disney World, will be capable of building additional hotels and attractions, secondary residential developments, and ultimately, the Experimental Prototype Community of Tomorrow.

When this vast new destination vacation resort opens to the public, the number of permanent, full-time employees in our organization will have doubled from what it was a year ago.

Yet, we are determined that our size will never affect our product. We remain dedicated to the same basic principles of family entertainment which have always guided the Disney organization. As at Disneyland, all of the activities planned for Walt Disney World — entertainment, recreation and relaxation — have been designed for the family to enjoy together.

The public's continuing confidence in the wholesome content of our films was, I believe, a major reason why our worldwide motion picture revenues for 1970 were the highest in history. Here are several of the highlights of our film distribution program:

- *The Computer Wore Tennis Shoes,* a wacky comedy about a college student who gets his mental wires crossed with a computer, is now estimated to gross approximately $5,500,000 in the domestic market (United States and Canada) alone. Produced for just less than $1,000,000, it is an excellent example of the profitability of properly conceived low budget films.
- *The Love Bug* has now earned more than $18,500,000 from its domestic release, which began in March, 1969, making it the second highest grossing film in Disney history. Now in foreign release, this modern comedy-fantasy will bring film rentals in excess of $1,000,000 in Brazil alone, making it the highest grossing picture in that nation's history. Total foreign grosses for *The Love Bug* are now estimated at more than $9,000,000.
- One of our scheduled releases in Europe during 1970 was *The Mickey Mouse Anniversary Show,* a program of cartoons linked together by items of historical interest. Backed by a nine-nation promotional tour featuring the Disneyland Ambassador and several of our costume characters, the film has grossed more than $1,000,000, doubling, and in some cases tripling, the box office results of any previous shorts program.
- Further demonstrating the timeless nature of our film library, four motion pictures — *Darby O'Gill and the Little People, 101 Dalmatians, In Search of the Castaways* and *Sleeping Beauty* — were reissued throughout the domestic market during fiscal 1970. They will bring combined film rentals of about $15,000,000. The most outstanding performance came from *101 Dalmatians,* which grossed $6,700,000, more than it earned during its premiere engagements in 1961.

During the past year, our worldwide film revenues, including 16mm film rentals, reached $61,400,000, 37% of our total gross revenues. Although our continuing policy will be to produce about five new films and reissue several others each year, it is anticipated that after the opening of Walt Disney World, motion picture distribution may eventually constitute only 15-25% of our total revenues. This will add to the stability of the Company by making its financial picture less dependent upon the box office success or failure of any single film, as was often the case in the early days of the Company.

Looking toward the future, we were most gratified by the enthusiastic response given our 1971 lineup of product by the nation's exhibitors at last fall's convention of the National Association of Theatre Owners. A more detailed discussion of our release schedule will be presented later on in this report.

Briefly, let us look now at several other areas of Company activity during the past year.

Disney on Parade During its first full season, this two-and-one-half hour live touring arena show was seen by more than 2,000,000 people in 27 cities across the United States and Canada. In ten of these cities — Cleveland, St. Louis, Charlotte, Syracuse, Philadelphia, Providence, Rochester, Ottawa, Toronto and Los Angeles — this "entertainment spectacular" set all-time attendance records for the arenas in which it played.

In addition, the show grossed over $1,000,000 and played to more than 200,000 people during a twelve-day engagement at New York's Madison Square Garden.

Throughout the year, however, these excellent box office results were offset by the high cost of staging this lavish show. Nevertheless, *Disney on Parade* received excellent reviews and made new friends for the famous Disney cartoon characters wherever it went.

Based upon the experience and enthusiastic audience reactions gained during the past year, the subsidiaries of Walt Disney Productions and NBC which jointly created this project have re-staged the show in a manner that should bring profitability from the second season of bookings. They also commissioned the production of an additional and entirely new show for 1971, which premiered at the Chicago Stadium on Christmas day. These two units will visit a total of 84 cities throughout the United States and Canada during the 1971-72 season.

Ancillary Activities A dramatic resurgence in the popularity of "mod" Mickey Mouse merchandise among teenagers and young adults highlighted our publishing, music, record, educational materials, 16mm film rental and merchandising operations during 1970.

Although this was also the biggest year in history for our regular line of the more contemporary Mickey Mouse juvenile merchandise, the biggest story rests with the "camp" Mickey Mouse items — those which feature the original design of Mickey as he appeared in *Steamboat Willie* and other early Disney cartoons.

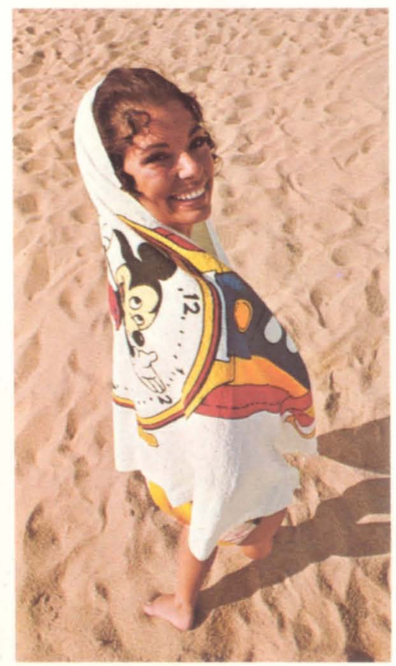
During the six-month period ending November 1st, our licensed manufacturers reported $7,500,000 in retail sales on Mickey Mouse watches and clocks, $3,000,000 in "mod" T-shirts and jeans, and $2,000,000 in suspenders, cuff links and jewelry.

Within Disneyland alone, sales of Mickey Mouse merchandise approached $2,000,000 for the year, with 60% being of the early "mod" design. Most popular were the Mickey Mouse T-shirts and sweat shirts. During the summer months, the Park sold an average of 2,000 per day.

Our music and record companies noted a marked increase in the sale of standard catalog items, in part due to a broadening of the Company's distribution pattern. For the seventh straight year, the Disneyland Record label was saluted by the National Association of Record Merchandisers for having the nation's best selling line of children's records.

With the first phase of its new educational product line fully developed and on the market, the Walt Disney Educational Materials Company enjoyed another record year. Also contributing to this performance has been an expanding market for the rental of 16mm films and the direct sale of silent, 8mm excerpts from our classic animated and live action films.

Mineral King Early in 1965, the United States Forest Service sought proposals from private enterprise for the development of facilities to serve both winter



MERCHANDISING: *1970 brought renewed popularity for "mod" Mickey Mouse items among teenagers and young adults.*

and summer recreational visitors at Mineral King in Sequoia National Forest. After extensive competitive public bidding, the proposal of Walt Disney Productions was chosen as best serving the public need, and the Company was granted a three-year preliminary planning permit.

In June, 1969, six months after the Disney master plan for the project had been approved by the Forest Service, the Sierra Club brought suit in a Federal District Court to prevent officials of the Departments of Agriculture and Interior from issuing the permits, which were necessary before work could proceed. One month later, a U.S. District Judge granted a preliminary injunction.

On September 16, 1970, the Ninth Circuit Court of Appeals reversed the decision of the lower court, ruling by a two-to-one margin that the Sierra Club did not have standing to sue. However, Judges Ozell M. Trask, John F. Kilkenny and Frederick G. Hamley went further to express an opinion on the merits of the five legal issues raised against the project by the Sierra Club, and they agreed unanimously that the Sierra Club "has not shown with any degree of certainty that it will or can succeed" on any of these issues. "Neither has it shown that it or its members or anyone else will suffer irreparable injury" as a result of this project.

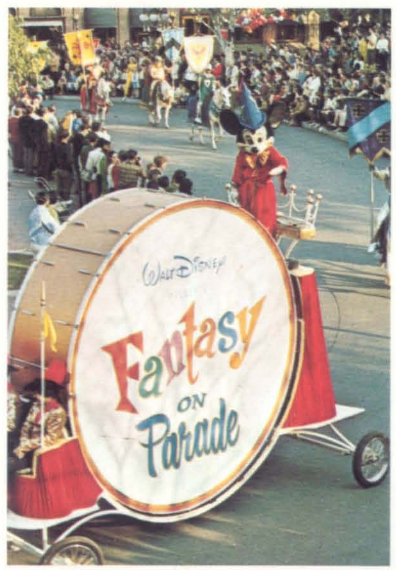
In writing the opinion, Judge Trask stated, "Evidence of great concern for the ecology of the area and the preservation and conservation of natural beauty and environmental features appears throughout the planning reports attached as exhibits."

The Sierra Club is now petitioning the United States Supreme Court to review this most recent decision.

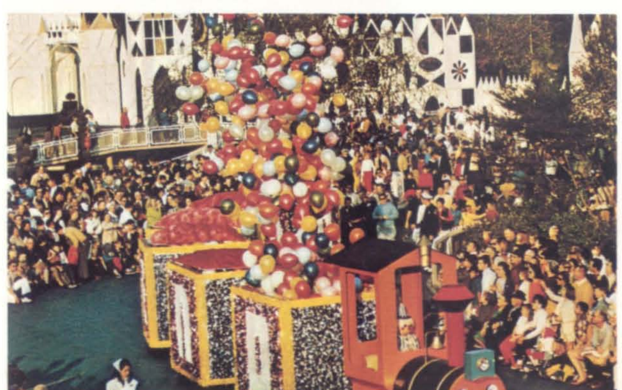
Throughout the past eighteen months, the Company, which is not a party to this litigation, has suspended all investment in and planning for this recreational area. Although the Company continues to believe that the development of Mineral King will help to meet an ever-growing public need, it will not resume work on the project until the current legal issues are fully and finally resolved, and a 30-year term permit has been granted.

SPECIAL EVENTS:
Disneyland's New Year's Eve celebration is one of four "hard ticket" events staged at the Park each year. Group sales, private parties and other special promotions accounted for 46.4% of our total attendance during 1970.

SHOW ME AMERICA: *Produced by Disneyland's Entertainment Division expressly for our 15th Anniversary summer season, this lively musical was performed twice nightly, five days per week, from May 20th through September 12th. The summer festival of entertainment also featured the big bands of Duke Ellington, Harry James, Sammy Kaye and others.*



HOLIDAY MAGIC: *Disneyland's traditional "Fantasy on Parade" was seen twice each day throughout our 16-day Christmas season. During fiscal 1970, the Park's increasing popularity as a holiday attraction was confirmed by new attendance records established on Christmas Day (30,968), Washington's Birthday (37,475), Easter Sunday (49,712), Memorial Day (57,488), and Independence Day (76,209).*



Disneyland Another milestone in the Park's 15-year history was attained during fiscal 1970, when, for the first time, total attendance went over the 10,000,000 mark. All in all, 10,272,233 guests passed through Disneyland's turnstiles, 8.9% ahead of 1968, our previous record year.

More than 94,000,000 people have visited the Park since 1955, and a highlight of the 1971 season will be the royal welcome given our 100,000,000th guest.

One of the major reasons for the Park's continuing growth has been winter visitation, which has risen by 71% during the past five years. During this same period, Disneyland has opened eight major attractions and completely revamped and updated four others.

To maintain standards of service consistent with growth, Disneyland's work force has expanded from 600 on opening day in 1955 to more than 6,000 during the summer of 1970. Many of our employees have been with the Park for more than ten years, and 30% of those who staffed Disneyland on its opening day are still with the organization.

It is from this unique and youthful Disneyland staff that our Walt Disney World management team has already been chosen. Nine men, averaging 39 years of age and 9.8 years of service at the Park, will relocate to Florida to direct Walt Disney World's operating divisions. They are: Bob Allen, General Services;

Jim Armstrong, Food; Carl Bongirno, Finance; Ted Crowell, Maintenance; John Curry, Hotels; Jack Lindquist, Marketing; Bob Matheison, Operations; Jack Olsen, Merchandising; and Jim Passilla, Employee Relations. These men will report to Richard A. Nunis, our Vice President-Disneyland Operations, who, at the age of 38, has had fifteen years' experience at the Park himself.

It is only because we have a strong, in-depth organization at Disneyland that, during the past two years, we have been able to select and train more than 100 Park employees to fill key supervisory roles at Walt Disney World. These people will complete their transfer to Florida within several months, and they will comprise the nucleus of the 5,500 employees who will staff the project.

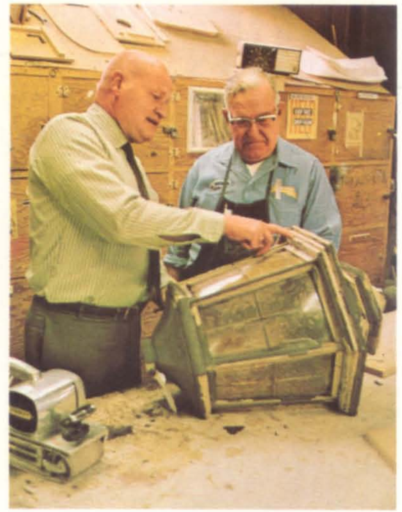
To date, more than 40,000 unsolicited applications for Walt Disney World employment have been received, and the letters and personal inquiries are continuing at the rate of 650 per week.

In order to assemble and train our Florida work force, we plan to conduct 30,000 personal interviews and complete an estimated 143,000 hours of Company orientation and on-the-job training. All this before Walt Disney World greets its first guest!

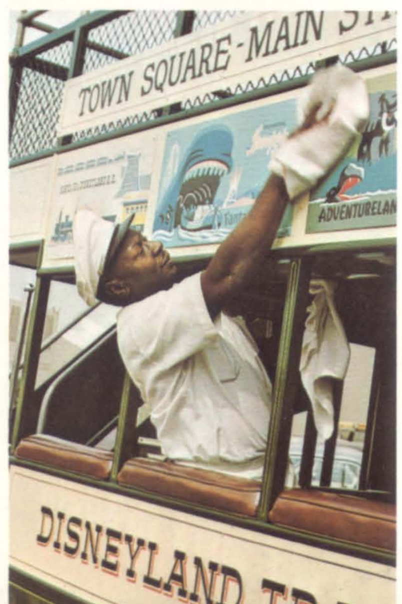
Nevertheless, we look forward to the challenge, and because we have already chosen experienced Disney personnel for leadership roles in every area of operations, I believe we will be ready with an effective and efficient operating organization by opening day.

On the following pages you will find a report on the progress of our Florida project. There, too, you will find many of the reasons why we believe 1971 will be the most exciting year in our history.

E. Cardon Walker



"CLEANLINESS, FRIENDLINESS AND AN OUTSTANDING SHOW": *These three most frequent subjects of visitor comment at Disneyland are made possible by a well-trained operating organization, blending both youth and experience. More than 100 Disneylanders will fill key positions at Walt Disney World.*



In the very heart of Florida,
a completely new kind of vacation experience...

Walt Disney World

The Walt Disney World *Vacation Kingdom* has entered its final year of pre-opening construction, and is progressing rapidly in anticipation of its first season of operation, scheduled to begin in October, 1971.

Stretching three miles from east to west and over two miles from north to south, this first phase of the Walt Disney World project encompasses more than 2,500 of the 27,500 acres owned by Disney subsidiaries in central Florida.

In its first year, Walt Disney World will offer a wide variety of vacation and convention-oriented facilities, including: a new *Magic Kingdom* theme park comparable to California's Disneyland (seen under construction at left); 650-acres of waterways lined with white, sandy beaches and suitable for all types of aquatic recreation; two resort hotels connecting with the theme park and entrance complex via three-and-one-half miles of twin-rail monorails; campgrounds, nature trails, two golf courses and other outdoor recreational facilities.

The total investment at Walt Disney World by all participating organizations will exceed $300 million on opening day.

By the beginning of the year, the on-site work force under the overall direction of Joseph W. Fowler, Senior Vice President-Engineering and Construction, numbered more than 4,000, giving rise to comments that Walt Disney World represents the nation's largest non-governmental construction project. In the mill and staff shops alone, more than 200 workers are creating facades for such attractions as the 15th Century Cinderella's Castle and the 19th Century Main Street area. All of these employees were trained by five specialists brought from Disneyland in California.

Literally millions of components for the project have begun arriving at the site from all over the world, including pre-stressed concrete monorail beams from Tacoma, Washington, gas turbines from Toronto, sky-ride gondolas from Switzerland, a giant 72-horse carousel from northern California, narrow-gauge steam locomotives from Yucatan, Mexico, boilers from Houston, chillers from Syracuse, and an entire fleet of water craft built in St. Petersburg, Florida.

In Glendale, California, executives of WED Enterprises, Inc. and MAPO, Inc., the Disney subsidiaries for research and design and prototype manufacturing respectively, report that all of the show elements

CINDERELLA'S CASTLE: *The "Magic Kingdom's" theme structure, with its gold-crested turrets, will reach 176 feet into the air.*

CONSTRUCTION PROGRESS: *The Main Street Shops, Grand Railroad Station, Haunted Mansion and City Hall (clockwise from upper left) near completion. Main Street, U. S. A., will feature the elegant Victorian architecture of a 19th Century Eastern Seashore resort.*

THEME PARK PLANNING: *Richard Irvine, Dick Nunis, Donn Tatum, Card Walker and John Hench review a model of the new "Magic Kingdom" theme park at WED Enterprises, Inc., the Disney subsidiary for research and design.*

THE SUNSHINE PAVILION: *Located in Adventureland and sponsored by the Florida Citrus Commission, this musical luau will feature performing tropical birds and flowers.*

DARK RIDES: *Show elements await installation in "Mr. Toad's Wild Ride."*

THE MICKEY MOUSE MUSICAL REVUE: *In this stage presentation, the unique, patented Disney "Audio-Animatronics" process of three-dimensional animation will "bring to life" 85 famous cartoon characters in musical vignettes from classic Walt Disney stories. The figures are seen here during computer programming.*

ONE NATION UNDER GOD: *Located along the cobblestone streets of Liberty Square, this will be one of the most dramatic shows in the Magic Kingdom. Life-size and life-like figures of all 36 American Presidents will appear on-stage in an inspiring theatre production that blends the remarkable Disney "Audio-Animatronics" system with a new five-screen, 70mm motion picture process. More than 80 murals, each up to 25 feet in length, are now being painted for the filmed portion of the show (top).*

planned for opening day attractions are progressing on schedule.

Meanwhile, at the site, the Reedy Creek Improvement District, a public authority empowered to carry out water control programs, provide utilities and other necessary services for the Disney property, is moving forward with a program of environmental control which is destined to become a model for future conservation-conscious developments.

William E. Potter, President of the District's Board of Supervisors, points to the following concepts, which are central to this plan: a network of corridors beneath the amusement theme park to house and provide easy access to a wide variety of services (water supply, waste water and solid wastes collection and transport, electrical distribution systems, and deliveries of merchandise and service via small vehicles); modern trash incineration facilities utilizing wet scrubbers and filters to reduce stack emissions to standards surpassing the requirements of the Florida Air and Water Pollution Control Commission; and tertiary treatment of waste water.

The waste water treatment plant will deliver a "polished" effluent, which will be used to irrigate the golf courses and Walt Disney World's permanent horticultural nursery, both of which will be located nearby.

Key to the solid waste collection program is the new AVAC system of Aerojet-General Corporation. This installation, the first of its kind in the United States, will use underground pneumatic tubes to quickly, economically and hygienically deliver trash to a central collection point from stations in the theme park and Contemporary Resort-Hotel.

Also nearing completion is the Central Energy Plant. The design of this plant has been integrated with other needs of the project, so that the waste heat created by the gas turbine generators, rather than escaping into the atmosphere, will be captured for use in producing high temperature hot water, chilled water and compressed air. The high temperature hot water, in turn, will fulfill demands for space heating, domestic hot water, cooking and absorption chilling for air conditioning.

The program outlined above will be complemented by the permanent management and protection of the 7,500-acre Walt Disney World Conservation Area. Focal point of the Conservation Area will be the western portion of the Reedy Creek Swamp, which contains some of the state's most beautiful primitive areas and stands of virgin cypress trees.

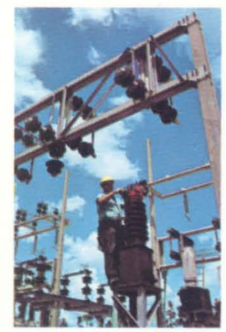
The state of Florida has completed construction of the two major interchanges which will provide easy access to Walt Disney World, and construction has begun on the widening to four-lane standards of the entire length of State Road 530 from the exit of the Sunshine State Parkway near St. Cloud west to U.S. Highway 27. There, another interchange is under construction which will eliminate dangerous left-hand turns. All of this additional work should be completed by October, 1971.

The 4.7 mile, four-lane north-south parkway, which will take visitors from the main entrance to the *Vacation Kingdom* site, is now open and its landscaping has begun.

All in all, more than 60,000 plants, shrubs and trees are being transplanted to permanent locations in Walt Disney World under a program that will create a unique garden atmosphere throughout the vast recreation-vacation complex.

Meanwhile, with all phases of construction progressing satisfactorily, pre-opening marketing plans were finalized during an all-day meeting with Walt Disney World lessees on October 15th. (More complete details on the lessee program will be found elsewhere in this Report).

During the meeting, it was announced that Walt Disney World's opening celebration will be the sub-



SUPPORT FACILITIES: *An innovative Central Energy Plant (left) and a service building to house the Walt Disney World monorail trains and steam trains (below).*

ject of a 90-minute television special, to be aired over the NBC Television Network next October. It was also reported that more than 200 conventions and business meetings have already been scheduled at Walt Disney World. All major hotel space allotted to convention activities during 1972 has now been sold.

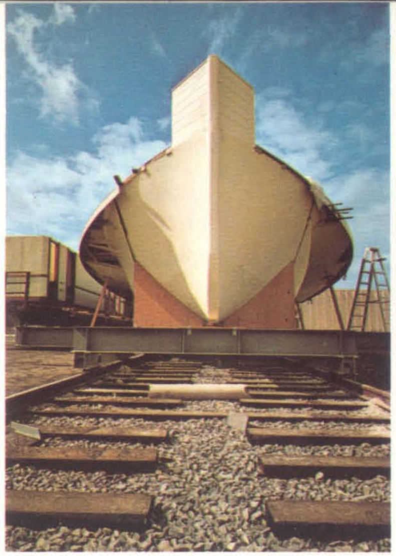
On these pages, you will find a photographic report completed during November, 1970, on the progress of construction and show development for this, the largest recreation and entertainment enterprise ever undertaken by a single company.

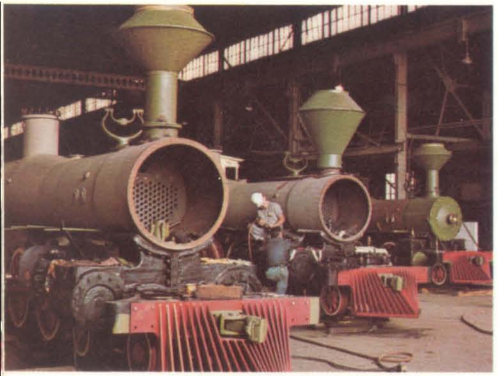
THE CONTEMPORARY RESORT-HOTEL: *Super-silent monorail trains will travel directly through the ten-story high concourse of this 1,057-room resort. The Contemporary Resort-Hotel and the 515-room Polynesian Village are being built for Walt Disney World by the USS Realty Development Division of United States Steel. These hotels have been master planned by WED Enterprises, Inc., and designed by Welton Becket and Associates, Architects.*

THEMATIC MURALS: *Technicians fire ceramic tiles for two 36 by 90-foot Mary Blair-designed murals, which will cover the nine-story elevator core of the Contemporary Resort-Hotel. The murals are themed to a contemporary Grand Canyon concept.*

MODULAR CONSTRUCTION: *The first two hotels at Walt Disney World will feature guest rooms of lightweight modular steel construction. Fabricated in an on-site assembly plant (left), the rooms are trucked to the construction area, where they are lifted into place and utilities are plugged in.*

LAKESIDE RECREATION: *Overlooking the western shore of Bay Lake, the convention-oriented Contemporary Resort-Hotel will offer rooms in both its 14-story, A-frame structure and adjoining three-story garden wings.*





VISITOR TRANSPORTATION: *Two 200-passenger sidewheel steamboats, three narrow-gauge steam trains and six 212-passenger monorail trains are being readied to serve Walt Disney World visitors on opening day. The silent, all-electric monorail trains will travel atop three-and-one-half miles of twin-rail concrete beamways, soaring as high as 60 feet above the ground. 337 monorail beams, each 85 to 110 feet in length, are being cast in Tacoma, Washington, and shipped to the site by rail.*

OUTDOOR RECREATION: *Two championship 18-hole golf courses have now been contoured and seeded.*

BLACKBEARD'S ISLAND: *Boating enthusiasts on Bay Lake will stop here to picnic and explore.*

THE WALT DISNEY WORLD PREVIEW CENTER: *This visitor facility, open since January, 1970, has been host to more than 600,000 guests. The Center is the hub of Motor Inn Plaza in the new city of Lake Buena Vista, where four national motor-hotel chains — TraveLodge Corporation, Dutch Inns of America, Inc., Royal Inns of America, and Roger Miller's King of the Road Enterprises, Inc. — plan more than 1,000 rooms of lodging.*

THE WALT DISNEY WORLD CONSERVATION AREA: *Nationally recognized conservationists traveled by boat through the spectacularly beautiful Reedy Creek Swamp during an inspection tour of the 7,500-acre Walt Disney World Conservation Area last summer. Designation of this large sanctuary is part of a master plan for conservation designed to protect the natural beauty and wildlife, while informing the public on the wise and harmonious use of our natural resources.*

The plan was developed by Walt Disney Productions with the advice and guidance of a distinguished Advisory Committee which includes: Horace M. Albright, former Director of the National Park Service; Thomas L. Kimball, Executive Director of the National Wildlife Federation; William E. Towell, Executive Vice President, American Forestry Association; Bestor Robinson, former President of the Sierra Club; and Eivind T. Scoyen, former Associate Director of the National Park Service.

Assisting in carrying out the plan will be local representatives of the Florida Game and Fresh Water Fish Commission, Air and Water Pollution Control Board, the U.S. Geological Survey and volunteer conservation organizations.

THE WORLD OF DISNEY
A Showcase for Industry

Over the years, countless American companies have found an association with the wide world of Disney entertainment to be an effective stimulus to their consumer marketing and public relations programs.

Through motion picture tie-ins, animated educational films, record and book premiums, promotions featuring character merchandise, and the sponsorship of Disney television shows, major companies have found vital new avenues for communicating with the general public.

Yet, for the past fifteen years, Disneyland, through its lessee program, has been perhaps the most outstanding means available to industry for *both* broadly-based marketing campaigns *and* direct contact with the American public. In the wholesome and receptive atmosphere of Disneyland, companies have been able to touch the very heart of the consumer market—the family—on a direct and personal basis.

In addition to calling upon the Disneyland staff to assist them in developing imaginative marketing campaigns, these organizations have utilized the lessee program to achieve a broad and diverse range of corporate objectives.

For example, the Pendleton Woolen Mills, Hallmark Cards and the Bell Telephone System each use Disneyland facilities to train their own employees in serving the public.

The Bank of America, McDonnell Douglas Corp., and Pacific Telephone were among 77 companies and organizations which took over the entire Park for exclusive private parties during 1970. These events play an important part in their continuing employee relations programs.

In return, the General Electric, Monsanto and Bell Telephone pavilions enable Disneyland to offer a better entertainment value, by providing an additional free ride capacity of 10,000 per hour.

Through the sponsorship of Coca-Cola and Pepsi-Cola, free live entertainment is presented in the Park on a continuing basis.

The names of the Atchison, Topeka & Santa Fe Railroad Company on the steam trains, and of McDonnell Douglas on the moon ride, add authenticity to Disneyland's show, as do the many well-known brand names which appear on the signs along Main Street.

Many of Disneyland's 27 lessees have expressed interest in becoming associated with our Florida project. In some cases, where their markets are regional in nature, other agreements have been reached with companies whose prime markets are in the eastern United States.

Our expanded Walt Disney World lessee program will offer potentials not only for marketing, but for showcasing new systems and technologies as well.

As of this writing, the following companies have signed contracts for participation in Walt Disney World: Borden, Inc., the Florida Citrus Commission, GAF Corporation, Gulf Oil Corp., Kal Kan Foods, Inc., and Savannah Foods and Industries, Inc.

Agreements have been reached in principle, and final contracts are being prepared for: Benay-Albee Novelty Co., Inc., the Coca-Cola Company, Hallmark Cards, Oscar Mayer & Co., Inc., Pepsi-Cola/Frito-Lay, the Planters Division of Standard Brands, Inc., RCA, the Kitchens of Sara Lee, the J. M. Smucker Co., and Welch Foods, Inc.

In addition, the Disney organization is presently researching show ideas for the following companies: the Bell Telephone System, Eastern Air Lines, Inc., the Edison Electric Institute, Johns-Manville, and the Monsanto Company.

The worldwide attention focused upon the opening of Walt Disney World will provide these companies with unlimited opportunities for product promotion and personalized contact with the public.

In announcing his company's participation in both Disneyland and Walt Disney World, Raymond Addeo, general manager of GAF's consumer photo division, said the association will "open new sales horizons for all GAF consumer photo products and gives them the type of exposure needed to compete on a more favorable basis in the heavily dominated film field."

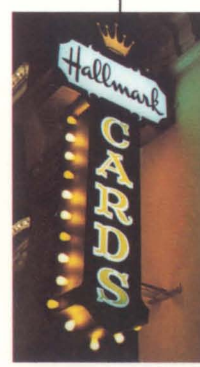
Eastern Air Lines, which recognizes that the further development of tourism will be important to the future stability of its industry, feels that their designation as "Official Air Line of Walt Disney World" will further strengthen their position in the central Florida air travel market. In announcing his company's participation in the Florida theme park, Thomas B. McFadden, Eastern's senior vice president-marketing, stated that "Walt Disney World will certainly have a major impact on tourism in the Orlando area, and we feel it will also stimulate a healthy tourism growth for all Florida. By working together, I'm confident we'll build an entirely new market in family vacation travel that will benefit the entire state."

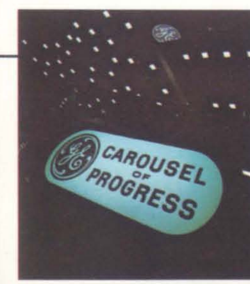
Drawing upon the creative talents of the entire Disney marketing team, which is recognized as unique in the world, our Florida lessees are now developing Walt Disney World-oriented advertising campaigns, on which they will spend in excess of $15,000,000 during the "Vacation Kingdom's" first year of operation.

In the future, as in the past, the continuing lessee programs of both Disneyland and Walt Disney World will be productive for all concerned.

The Disneyland Lessee Family

Bank of America
Bell Telephone System
Burry Biscuit Division of The Quaker Oats Company
Carnation Company
The Coca-Cola Company
Frito-Lay, Inc.
GAF Corporation
General Electric Company
Global Van Lines, Inc.
The Goodyear Tire & Rubber Co.
Gulf Oil Corp.
Hallmark Cards, Inc.
Hills Bros. Coffee, Inc.
Insurance Company of North America
Kal Kan Foods, Inc.
Lincoln Savings & Loan Association
McDonnell-Douglas Corp.
Monsanto Company
Pendleton Woolen Mills
Pepsi-Cola Company
Atchison, Topeka & Santa Fe Railway Company
Sunkist Growers, Inc.
Sunsweet Growers, Inc.
Timex Corp.
United Air Lines
Welch Foods, Inc.
Western Publishing Co.





MOTION PICTURES

By Ronald W. Miller
Vice President — Executive Producer

At a time when the vast majority of theatrical product available to exhibitors can be shown only to restricted or adult audiences, the Disney organization enters 1971 with an exciting array of family-styled entertainment — comedy, animation, western adventure, cartoon and live action classics, and a new musical-fantasy in the tradition of "Mary Poppins."

Beyond the outstanding lineup of motion pictures shown on these pages, two major films from the timeless Disney library—"20,000 Leagues Under the Sea" and "Pinocchio"— have been scheduled for reissue during the spring and summer months.

"Fantasia" will also continue in reissue for a second year, following its successful pattern of limited, exclusive engagements. During 1970, in approximately 100 theaters across the United States and Canada, the film had grossed in excess of $1,000,000 by October 17. Total domestic film rentals of $2,000,000 are estimated by the time "Fantasia" completes its fourth reissue at the end of 1971.

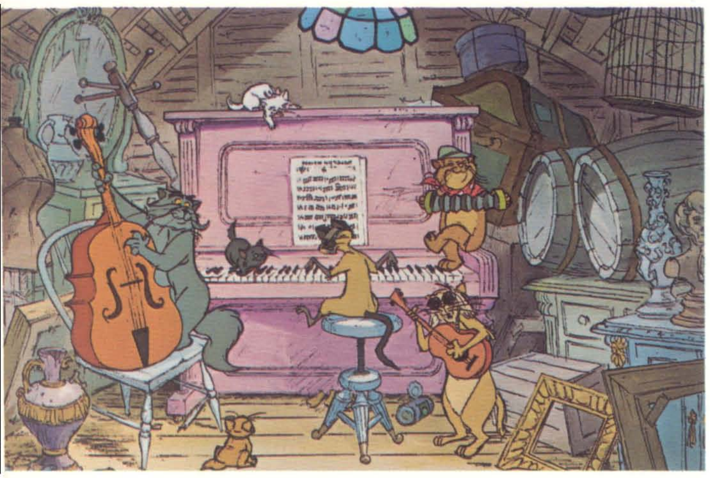
A dozen other major feature properties are now in varying stages of development, with production dates set for 1971 and beyond. Among these are the following:

- "The Island at the Top of the World." Winston Hibler is developing this Jules Verne-styled adventure about three explorers who discover a fantastic lost civilization of Vikings on a mist-shrouded, volcanically-heated island in the high arctic.
- "Herbie Rides Again." Bill Walsh plans a fall, 1971, production date for this sequel to the immensely successful "Love Bug." This time, the little car involves his adopted family with a used Edsel, a hippie mailman and the Mafia. Don DaGradi is working with Walsh on the script.
- "Now You See Him, Now You Don't" will be a sequel to the highly successful "Computer Wore Tennis Shoes." It's a comedy about a college boy who discovers the secret of invisibility.
- "Paniolo." Winston Hibler will film this adventure on the big island of Hawaii. Paul Savage is writing the screenplay about a shanghaied Texas cowboy who escapes from a clipper ship, only to become embroiled in a ranch war against a determined band of cattle rustlers.
- "Singalee." This comedy western about a fast-talking auctioneer, Col. Singalee North, who tames a wealthy rancher and his spitfire daughter, is being prepared for summer, 1971, production by Bill Anderson.

Considering the quantity and quality of theatrical product scheduled for production and release during 1971, we look forward to the year with great confidence.

Ron Miller

FUTURE PRODUCT: *Roger Miller joins several members of the studio's renowned animation team — Milt Kahl, Frank Thomas, writer Larry Clemmons, and director Woolie Reitherman — to review the songs he has written for "Robin Hood," an animated re-telling of the timeless legend about the bandit of Sherwood Forest. Only this time, all the familiar characters will be portrayed by animals. Already set for voice roles in the film are Tommy Steele as Robin Hood, a sly fox; Peter Ustinov as Prince John, a scrawny lion; Terry-Thomas as his snake counselor, Sir Hiss; Phil Harris as Little John, a bear; Andy Devine as Friar Tuck, a portly badger; Pat Buttram as the Sheriff of Nottingham, a wolf; George Lindsey as his deputy; and Miller as Allan-A-Dale, a rooster minstrel.*

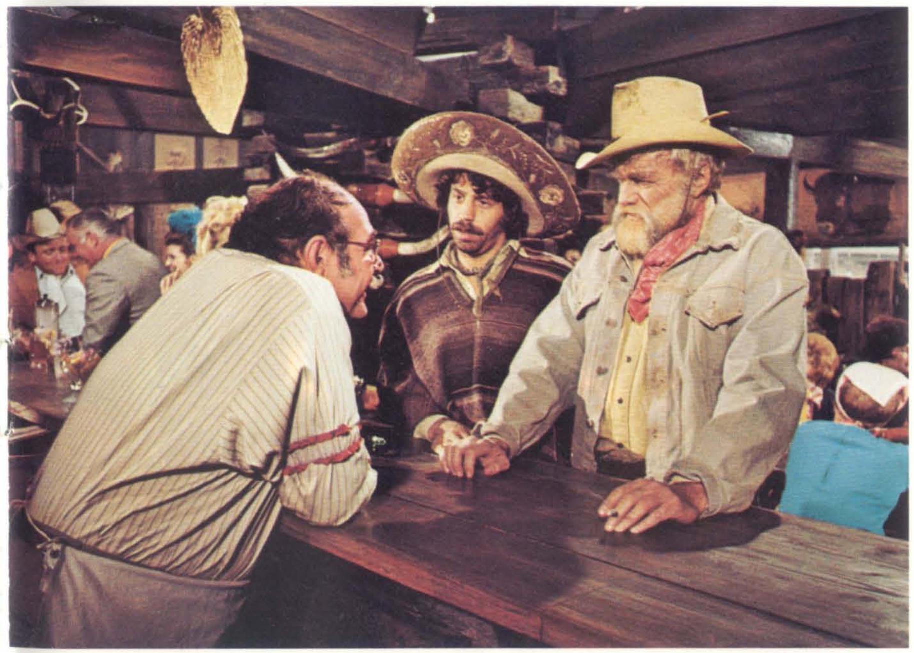


CHRISTMAS, 1970: *"The Aristocats," an all-new full-length animated feature about a cat and her three kittens in the Paris of 1910, opened in more than 400 theatres across America on Christmas day. The film was directed by Wolfgang Reitherman, who also co-produced with Winston Hibler.*

SUMMER: *The "$1,000,000 Duck" is a daffy comedy about an average family whose pet duck suddenly begins laying 24 carat eggs. Producer Bill Anderson has assembled an outstanding supporting cast for Disney favorite Dean Jones (right). Sandy Duncan and Tony Roberts (far right), two outstanding talents from the Broadway and London stage, make their screen debuts in the film, and are seen along with Joe Flynn, Jack Kruschen, James Gregory, Edward Andrews, Virginia Vincent and Arthur Hunnicutt.*

FEBRUARY, 1971: *Steve Forrest, Vera Miles, Ronny and Clint Howard are seen in this rugged story about a pioneer family's move into the wilderness. Filmed amid the spectacular Grand Tetons, "The Wild Country" was produced by Ron Miller and directed by Robert Totten.*

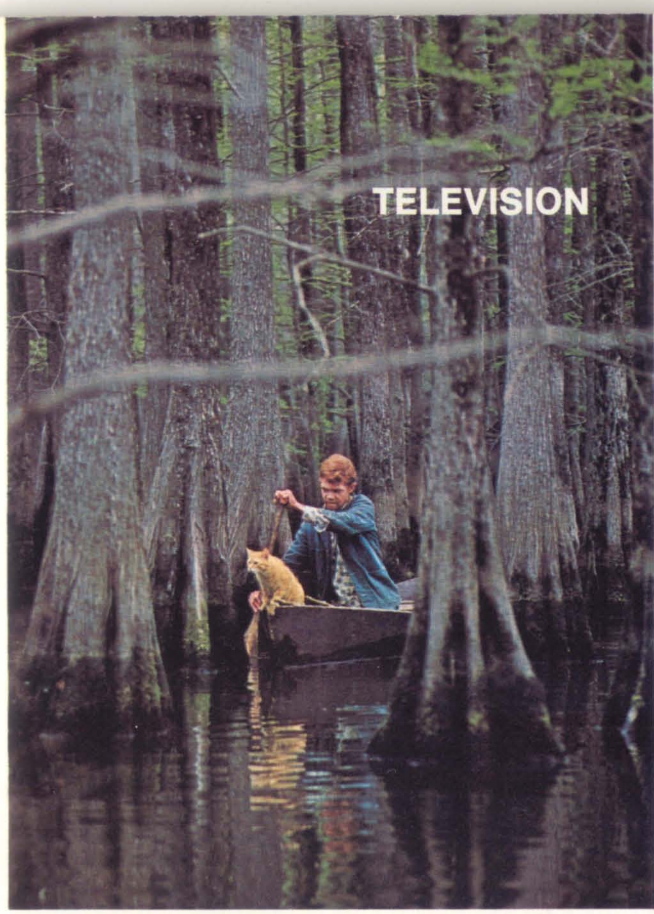
EASTER: *Kurt Russell and Heather North team in "The Barefoot Executive," a contemporary comedy about a network page who discovers a chimp that will watch only the highest-rated TV shows. A moderately budgeted film with great potential, it was produced by Bill Anderson and also stars Joe Flynn, Wally Cox and Harry Morgan.*



SPECIAL HANDLING: *A quixotic comedy about a cantankerous old rancher and his Mexican sidekick, who set out on a one-cow cattle drive in quest of glory and justice, "Scandalous John" will open in exclusive engagements during the summer months. Stars Brian Keith and Alfonso Arau are joined in the film by Michele Carey and Rick Lenz. Bill Walsh produced and co-authored the screenplay with Don DaGradi.*

OCTOBER: *Combining animation, live action, special effects and a musical score by Richard M. and Robert B. Sherman, "Bedknobs and Broomsticks" is the most ambitious production ever undertaken by the studio. Angela Lansbury (right) and David Tomlinson star in this World War II story about an amateur English witch, a confidence man and three cockney children who take off on a flight into fantasy aboard a magical brass bed. In the film's final sequence, the witch uses all of her special powers to bring to life the ancient armor in a museum and repulse a German invasion probe (bottom). Produced by Bill Walsh, who also teamed with Don DaGradi on the screenplay, directed by Robert Stevenson, with music directed by Irwin Kostal, the film reunites the same production team that brought "Mary Poppins" to the screen. It will begin exclusive engagements in 45 cities during the month of October.*

TELEVISION



BAYOU BOY: *This two-part adventure starring Mitch Vogel, John McIntire and Jeanette Nolan, will air in February. Produced by Jim Algar, it was filmed in the swamps of Lake Caddo along the Texas-Louisiana border.*

Now in its seventeenth season on the air, "The Wonderful World of Disney" continues to experience the same popularity it achieved during 1969-70. One of the highlights of our fall programming was the two-part animal adventure, "Snow Bear," broadcast on November 1 and 8. These two episodes placed seventh and third respectively in the Nielsen National Survey.

During its 16th year, completed in September, the anthology series ranked among the top ten programs in the Nielsen Survey for the entire season, reaching as many as 52 million viewers in a single week. Another demographic survey, the TV-Q Report, listed the series first among all shows on the air in terms of its appeal to the total viewing audience.

A long-term agreement reached last year with the NBC Television Network calls for the series to be broadcast through September, 1975, if all options are exercised by the network.

Under the guidance of Executive Producer Ron Miller, production has been completed for the 1970-71 season, and producers Jim Algar, Bill Anderson, Roy E. Disney, Winston Hibler, Ward Kimball, Larry Lansburgh and Harry Tytle are already at work on episodes for 1971-72. Camera crews are currently filming on such diverse locations as Ceylon, Yucatan, New England, Arizona and Canada.

In addition, the Disney television special, "Winnie the Pooh and the Honey Tree," broadcast last March 10, was the nation's highest rated program during the two-week period ending March 22, 1970. A second "Winnie the Pooh" special was broadcast under the sponsorship of Sears, Roebuck & Co. on November 30th, and both shows will be repeated during 1971.

CHANDAR, LEOPARD OF CEYLON: *This two-part adventure, co-produced by Winston Hibler and Harry Tytle, documents a boy's encounter with a wild leopard.*

THE BOY FROM BAHRAIN: *This two-part suspense thriller about an apprentice pearl diver who uncovers an international smuggling ring was produced by Roy E. Disney, and will cap the 1970-71 season.*

THE NASHVILLE COYOTE: *Winston Hibler is producing this tale about a misunderstood coyote who links up with a struggling singer in the nation's country and western capital.*

MOUNTAIN BORN: *The Colorado Rockies are the setting for this idyllic, Jim Algar-produced tale about a boy on a sheep ranch.*

WALT DISNEY PRODUCTIONS

	1970	*1969*
Total revenues	$167,103,000	$148,367,000
Income before taxes on income	$ 43,709,000	$ 32,504,000
Taxes on income	$ 21,950,000	$ 16,700,000
Net income	$ 21,759,000	$ 15,804,000
Per common and common equivalent share	$3.83	$3.41
Total assets	$267,626,000	$238,174,000
Working capital	$ 56,573,000	$ 92,696,000
Long term debt	$ 787,000	$ 50,995,000
Stockholders equity	$218,116,000	$146,205,000
Per common share outstanding at year end	$38.01	$28.57
Total common shares outstanding	5,737,912	5,116,578
Stockholders of record	20,900	18,800

THE PRESIDENT'S LETTER

This has been an outstanding year for the Company. Gross revenues reached a new high for the tenth year in succession and earnings were the best ever.

All divisions reported increases. Fiscal 1970 was the best year in history for worldwide film revenues and also for Disneyland.

Consolidated net income of the Company and its domestic subsidiaries increased 38% to $21,759,000 or $3.83 per share as compared to $15,804,000 or $3.41 per share last year. This was a fifty-three week year, the additional week at the end of September not making a significant contribution in the overall.

Fully diluted earnings per share were $3.68 as compared to $2.83 last year. Our per share earnings assume the exercise of all outstanding stock options. From now on there will be no material difference between primary and fully diluted per share earnings figures.

Capital disbursements for the year for plant and equipment amounted to $70,575,000. This includes $66,779,000 for Walt Disney World in Florida. As explained in Note 3, we have credited capital disbursements for Florida with net interest received in the amount of $4,109,000.

Cash dividends paid during the year amounted to $1,664,000. A 2% stock dividend payable January 1, 1970 amounted to 100,646 shares, resulting in $11,397,000 being transferred from accumulated earnings to invested capital.

The Board of Directors on November 12, 1970 declared a quarterly cash dividend of 7½ cents per share and a 2% stock dividend payable January 1, 1971 to stockholders of record on December 1, 1970. The chart on page 31 illustrates the growth in shareholders' equity.

On December 23, 1969, the Company called for redemption the $50,000,000 of 5% convertible subordinated debentures due March 1, 1994. Virtually all of these were converted into common stock resulting in the issuance of 555,221 new shares at $90 per share.

The $50,000,000 Term Credit Agreement arranged with the Bank of America and seven participating Florida banks, heretofore reported, is available on a revolving basis until December 31, 1972, with final maturity December 31, 1974.

As of the end of the fiscal year there were 273,024 shares of stock under option to 560 employees. During the year 315 employees exercised their options to 65,089 shares resulting in $2,590,000 of additional invested capital paid into the Company's treasury.

The Walt Disney World project in Florida is progressing well and continues to grow in scope as well as in opportunity and potential. It is scheduled to open to the public in October, 1971; and while it will continue to grow from then on, on opening day we are confident it will be an attraction which will meet the high expectations which we and the public have for it.

Comparisons between Walt Disney World and Disneyland are difficult to make because of the differences between them. Disneyland is a worldwide attraction which draws its primary support from the ever-growing Southern California market, secondarily from the entire part of the United States west of the Mississippi River and finally from the rest of the world.

Disneyland's appeal and, as a result, its audiences will maintain a steady growth even after the opening of Walt Disney World. Therefore, it is imperative that we include in our financial planning adequate provision for new shows and attractions and expanded capacity to take advantage of this large potential.

Walt Disney World is by definition a destination point, a place where people will come from afar and where they will stay for several days in combination with a visit to the Florida and Caribbean area. Its primary source of support is expected to be the millions of people who live in the eastern part of the United States and who already visit Florida in large numbers every year. All experts agree that this trend will increase and that Walt Disney World will be a stimulant in that regard.

But from the outset, we anticipate Walt Disney World will also be the destination of an ever-growing number of people from Europe and South America, and secondarily, it should draw its support from the local Florida population which presently approximates seven million people.

But there are physical differences too. Walt Disney World is a complex of things, including a place similar in concept and purpose to Disneyland, but involving many other aspects. It is being developed on truly virgin land in which all of the normal public amenities have had to be developed as a part of the project. But the very process of providing for these basic public facilities have in themselves provided our Company with a number of important business potentials and opportunities which have not existed for us in California in connection with Disneyland. These take on added significance when one considers that our Florida land is located in an area of substantial growth (to be augmented and accelerated by our own development there), that millions of people are expected to visit there each year, and that the focus of worldwide attention will center upon it. As a result we are in a position of leadership in a rapidly developing area.

Following are some of the principal activities in which our Company will be engaging for the first time as a result of our Walt Disney World development. Each of these represents a business opportunity with

varying degrees of real potential.

- Communication services, including a controlling interest in a new telephone company franchised to serve the area, closed circuit television and other communication services made possible by reason of the high capacity coaxial cable which is being installed.
- A complete print shop.
- Land development which is represented by the community of Lake Buena Vista planned for the vicinity of the highly successful Preview and Information Center and where the master plan now in development calls for Motor Inns, a commercial center, garden apartments, a second home community, a hospital and a mobile home park.
- Hotels and other lodging facilities, including a beautiful camp ground area adjacent to a magnificent beach in which every type of camping experience, from sleeping on the ground and in tents to the most luxurious vehicle, according to one's preference, will be provided; an exciting new Western Village where people can actually stay; a Dude Ranch.
- Automotive services, including auto care centers, gas stations and automobile rentals.
- An insurance agency.
- A laundry.
- Tour and travel activities of all kinds, including computerized reservation services.
- Conventions.
- Entertainment services, including services for conventions and sales meetings, night clubs, special shows, spectaculars, pageants.
- The manufacture and distribution, nationwide of many kinds of merchandise arising out of the combined purchasing power and retail exposure inherent in merchandising aspects of Disneyland and Walt Disney World.
- Recreation services of every kind including golf, boating, water sports, horseback riding, tennis, fishing, excursions to nearby places of interest.
- A magnificent conservation area where a wilderness experience in varying degrees can be provided with opportunities for a high quality of fish and game management.
- Recently we have greatly expanded our engineering and construction organization so that it is now capable of and has taken over the responsibilities of the general contractor at Walt Disney World. We call it Buena Vista Construction Co. and it will see a very busy future in taking direct charge of the Company's construction projects.

There is a related group of activities redounding to our benefit from the whole spectrum of public services, including sewers, electricity, gas, water and solid waste disposal to be furnished by the governmental authorities created by the Florida legislature to serve our project. Because these services will be provided to others as well as to ourselves there will be generated substantial revenues for these governmental authorities thereby spreading and lightening the load of local taxes and assessment charges. We are, and for some period of time, will be the primary source of support of the District.

This is the background against which the increased amount of corporate investment in Walt Disney World by opening day must be assessed.

Our earlier estimate of corporate expenditures by opening day was necessarily tentative in that it was made without the benefit of the experience which is now behind us. Since that time many things have happened which have had the inevitable result of increasing the scope of the project as we see it now as compared to the way it appeared then. Some of the business opportunities mentioned above were initially designed to be third party operations. Also, as a result of continuing surveys, including nine months of attendance at our Preview Center, we have updated our estimate of the first year visitors to ten million from the eight million figure previously used. At the present time our estimate of corporate investment on opening day is approximately $230,000,000. As a result additional financing will be required; and on December 4, when this letter is being written, that subject is under study.

Some of this is attributable to the substantial increases in rates of construction labor and costs of construction materials which have occurred over the past two years. Our estimates have been increased by something less than 10% as a result of these factors which, considering the national averages, I consider to be quite satisfactory.

From the outset we have sought to exert leadership in consistently upgrading our planning to meet the increasing responsibility business must accept today in the field of ecology. With the most expert of advice we have not spared anything in meeting this responsibility and from the standpoint of minimizing the deleterious effect upon the environment and in applying the highest standards of conservation we shall have a development which will be a model. I consider this additional money very well spent.

Related to this is the implementation of the plan which has evolved as we have progressed in development to eliminate the necessity for the automobile while visiting Walt Disney World. This has resulted in adding alternative means of access such as the spectacular Monorail System and the large capacity steamboats.

But by far the preponderance of the increased investment has resulted from the large increase in scope of the project inevitably resulting from our recognition of additional requirements which translate themselves into additional opportunity and therefore additional potential for the Company. These have been described above. As a result we have achieved a greater capacity to handle our guests and visitors, produced more valuable developable real estate than we had originally planned; will have a more efficient plant with a much higher calibre of construction than has been our experience at Disneyland; and will have made basic provisions now for the future which we believe will see continued growth and development.

We believe the Company's prospects are bright— near term as well as long term. The current fiscal year is too young to predict with any precision its results. All of the ingredients are in existence which could, and in my opinion should, lead to a period of continued growth, even as compared to the record levels of last year.

Respectfully,

Donn B. Tatum

President and Vice Chairman of the Board

December 9, 1970
Burbank, California

CONSOLIDATED BALANCE SHEET

ASSETS

	Oct. 3, 1970	Sept. 27, 1969*
CURRENT ASSETS		
Cash (note 3)	$ 5,489,000	$ 6,479,000
Short term investments — at cost which approximates market (note 7)	34,643,000	82,066,000
Reimbursable costs and advances, Florida Project	16,151,000	2,652,000
Accounts receivable	4,871,000	6,610,000
Inventories — at the lower of cost or market		
Completed productions — less amortization (note 2)	11,535,000	8,339,000
Productions in process	14,969,000	13,695,000
Story rights and pre-production costs	1,114,000	1,441,000
Merchandise, materials and supplies	3,932,000	3,135,000
Total current assets	92,704,000	124,417,000
ENTERTAINMENT ATTRACTIONS AND FACILITIES — at cost	87,657,000	86,049,000
Less accumulated depreciation	(41,836,000)	(36,277,000)
	45,821,000	49,772,000
STUDIO BUILDINGS, EQUIPMENT AND OTHER PROPERTIES — at cost	23,727,000	23,137,000
Less accumulated depreciation	(13,481,000)	(11,922,000)
	10,246,000	11,215,000
CONSTRUCTION IN PROGRESS, FLORIDA PROJECT — at cost (note 3)	98,947,000	36,277,000
LAND — at cost, including $5,759,000 relating to Florida Project	13,189,000	12,109,000
OTHER ASSETS		
Deferred preliminary costs, Florida Project (note 3)	4,328,000	1,247,000
Patents — at cost less amortization	1,283,000	1,527,000
Investments in foreign subsidiaries not consolidated (note 1)	165,000	165,000
Sundry other assets and deferred charges	943,000	1,445,000
	6,719,000	4,384,000
	$267,626,000	$238,174,000

*Restated for comparative purposes
See notes to financial statements on page 29

Walt Disney Productions and Domestic Subsidiaries

LIABILITIES AND STOCKHOLDERS EQUITY

	Oct. 3, 1970	Sept. 27, 1969
CURRENT LIABILITIES		
Instalments due within year on notes payable	$ 193,000	$ 1,568,000
Accounts payable	17,261,000	12,375,000
Advance under contract	1,000,000	1,000,000
Payroll and employee benefits	3,903,000	3,681,000
Property, payroll and other taxes	3,950,000	3,305,000
Taxes on income (note 4)	9,824,000	9,792,000
Total current liabilities	36,131,000	31,721,000
UNEARNED DEPOSITS AND RENTALS	3,924,000	2,332,000
LONG TERM LIABILITIES		
5% convertible debentures		50,000,000
Notes payable, partly secured — less current instalments	787,000	995,000
Deferred compensation	868,000	721,000
	1,655,000	51,716,000
DEFERRED TAXES ON INCOME (note 4)	7,800,000	6,200,000
COMMITMENTS (note 3)		
STOCKHOLDERS EQUITY		
Invested capital	150,701,000	87,488,000
Accumulated earnings	67,415,000	58,717,000
	218,116,000	146,205,000
	$267,626,000	$238,174,000

See notes to financial statements on page 29

STATEMENT OF CONSOLIDATED INCOME

	Year Ended Oct. 3, 1970	Year Ended Sept. 27, 1969
REVENUES		
Disneyland Park and other entertainment activities	$ 82,000,000	$ 70,322,000
Theatrical films	61,400,000	54,504,000
Television	7,407,000	7,284,000
Other — publications, merchandise, music and records	16,296,000	16,257,000
Total revenues	167,103,000	148,367,000
COSTS AND EXPENSES		
Disneyland Park and other entertainment activities	59,596,000	50,963,000
Amortization of theatrical and television production costs (note 2)	12,167,000	15,380,000
Distribution costs — prints, advertising, etc.	20,584,000	20,363,000
Costs applicable to other revenues	11,043,000	12,418,000
General, administrative and selling expenses (note 7)	19,105,000	15,665,000
Story and pre-production costs abandoned	899,000	1,074,000
Total costs and expenses	123,394,000	115,863,000
INCOME BEFORE TAXES ON INCOME	43,709,000	32,504,000
Taxes on income (note 4)	21,950,000	16,700,000
NET INCOME	$ 21,759,000	$ 15,804,000
EARNINGS (note 7)		
Per common and common equivalent share	$3.83	$3.41
Per common share — assuming full dilution	$3.68	$2.83

See notes to financial statements on page 29

CONSOLIDATED STOCKHOLDERS EQUITY

	Year Ended	
	Oct. 3, 1970	Sept. 27, 1969
INVESTED CAPITAL (note 6)		
At beginning of year	$ 87,488,000	$ 39,428,000
Stock dividends—market value of 100,646 and 85,433 shares issued	11,397,000	6,659,000
Stock options—proceeds from exercise of 65,089 and 55,840 shares	2,590,000	2,200,000
Conversion of 4½% convertible debentures into 1,024 and 613,162 shares	51,000	39,201,000
Conversion of 5% convertible debentures into 555,221 shares	49,175,000	
At end of year	150,701,000	87,488,000
ACCUMULATED EARNINGS (note 6)		
At beginning of year	58,717,000	50,880,000
Net income for the year	21,759,000	15,804,000
Dividends paid		
In cash (30¢ per share)	(1,664,000)	(1,308,000)
In stock	(11,397,000)	(6,659,000)
At end of year	67,415,000	58,717,000
TOTAL STOCKHOLDERS EQUITY	$218,116,000	$146,205,000
REPRESENTED BY		
Common shares, $1.25 par value (note 6)		
Authorized	20,000,000	20,000,000
Issued and outstanding (adjusted for stock dividends)	5,737,912	5,116,578

See notes to financial statements on page 29

SOURCES AND USES OF CONSOLIDATED WORKING CAPITAL

	Year Ended Oct. 3, 1970	Year Ended Sept. 27, 1969*
WORKING CAPITAL CAME FROM		
Operations		
Net income	$ 21,759,000	$15,804,000
Depreciation and patents amortization	7,880,000	7,404,000
Deferred taxes on income	1,600,000	1,300,000
Total from operations	31,239,000	24,508,000
Proceeds from exercise of stock options	2,590,000	2,200,000
Sale of 5% convertible debentures		50,000,000
	33,829,000	76,708,000
WORKING CAPITAL WAS USED FOR		
Additions to		
Construction in progress, Florida Project	62,670,000	22,885,000
Entertainment attractions and facilities	1,937,000	7,829,000
Studio buildings, equipment and other properties	779,000	1,797,000
Land	1,080,000	
	66,466,000	32,511,000
Payments on long term borrowings	208,000	1,140,000
Cash dividends	1,664,000	1,308,000
Other	1,614,000	1,614,000
	69,952,000	36,573,000
INCREASE (DECREASE) IN WORKING CAPITAL	$(36,123,000)	$40,135,000
WORKING CAPITAL AT END OF YEAR	$ 56,573,000	$92,696,000

*Restated for comparative purposes
See notes to financial statements on page 29

Opinion of Independent Accountants

To the Board of Directors and Stockholders of Walt Disney Productions

In our opinion, the accompanying consolidated balance sheet, the related statements of consolidated income and stockholders equity and the statement of sources and uses of consolidated working capital present fairly the financial position of Walt Disney Productions and domestic subsidiaries at October 3, 1970, the results of their operations and the supplementary information on sources and uses of working capital for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Los Angeles, California
December 9, 1970

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 PRINCIPLES OF CONSOLIDATION

The accounts of domestic subsidiaries, all wholly-owned, have been consolidated in the accompanying financial statements and all significant intercompany transactions have been eliminated.

The accounts of foreign subsidiaries have not been consolidated. These companies produce and distribute pictures, carry on the company's character merchandising business and publish music in various countries. As at year end, these subsidiaries had total assets of $3,835,000 and net assets of $1,176,000. The company's equity in these net assets exceeded the carrying value of its investments therein by $1,011,000. During the year ended October 3, 1970 the net income of these unconsolidated subsidiaries amounted to approximately $647,000; dividends received from them totaled $303,000 which amount has been included in other revenues.

Note 2 INVENTORIES AND FILM AMORTIZATION

Costs of completed theatrical and television productions are amortized by charges to income in the proportion that the producer's share of income (film rentals less distribution, print, co-producer participation and advertising costs) received by the company for each production bears to the estimated total of such income to be received. Such estimates of total income are reviewed periodically and amortization is adjusted accordingly.

Note 3 FLORIDA PROJECT

Upon initiation of the Florida project the company adopted the policy of deferring interest on funds borrowed specifically for this project (reduced by earnings on funds temporarily invested prior to use in construction). As a result of the early conversions of debentures relating to this construction, interest received from temporary investments has exceeded interest paid by $4,109,000 through October 3, 1970 and accordingly construction costs through that date have been reduced by this amount. Preopening costs and expenses relating to this project amounting to $4,328,000 at October 3, 1970 are being deferred until commencement of active operation. For income tax purposes, such expenses are written off as incurred.

As mentioned in the Chairman's letter, the company is currently planning additional financing. The company also has available a revolving line of bank credit of up to $50,000,000, and under the terms of the agreement the maintenance of various minimum cash balances of up to $6,150,000 is required ($5,125,000 at October 3, 1970).

Pursuant to drainage service agreements with Reedy Creek Improvement District (a governmental unit of the State of Florida) the company's wholly-owned subsidiary Walt Disney World Co. is required to make minimum annual payments to the District of approximately $900,000 for the next 30 years. These payments are guaranteed by the company until the subsidiary meets certain financial requirements.

United States Steel Corporation is constructing two major resort hotels on the company's property in Florida; these hotels are to be owned by U.S. Steel and leased on a long-term basis to an operating subsidiary of the company.

Note 4 TAXES ON INCOME

The company's federal income tax returns for the 1968 and 1969 fiscal years are currently under examination. Provision has been made in the financial statements for all taxes believed to be payable.

The deferred taxes on income (including $1,600,000 provided during the current year) represent taxes which will not become payable until future years due to the excess depreciation for tax purposes over depreciation on the straight line method used for financial statement purposes and other timing differences.

Note 5 PENSION PLANS

The company has a pension plan covering substantially all of its employees not covered separately by various union or industry pension plans. The plan is funded by company and employee contributions to a trust administered by a bank. Payments by the company under the plan for the year of $650,000 include $170,000 toward payment of the actuarily computed past service cost under a schedule which will require eighteen years more to complete. The company has no past service liability under the various union and industry plans.

One of the company's subsidiaries has a profit sharing pension plan in which the participants are substantially all employees of the subsidiary with more than one year's service. Payments under the plan by the subsidiary amounted to $493,000 for the year.

Note 6 STOCKHOLDERS EQUITY

A 2% stock dividend paid to holders of record on December 1, 1969, resulted in an $11,397,000 transfer from accumulated earnings to invested capital. Subsequent to year end, a 2% stock dividend was declared to holders of record on December 1, 1970.

There are 5,000,000 shares of $20 par value preferred stock authorized; none have been issued.

A qualified stock option plan approved by the stockholders during 1967 provided for granting options for a maximum of 425,741 shares of the company's common stock to key executive, management and creative personnel prior to December 27, 1976. Transactions in outstanding options under the Plan during the year were as follows:

	Number of Shares	
	Options Granted	Available for Grant
Balance at September 27, 1969 (114,008 exercisable)	329,340	2,570
Added for January 1, 1970 2% stock dividend	6,262	75
Cancelled by employment terminations	(3,539)	3,539
Granted during the year	6,050	(6,050)
Exercised during the year	(65,089)	
Balance at October 3, 1970 (152,506 exercisable)	273,024	134

Prices of options outstanding at year end range from $38.06 to $122.63 per share; options exercised ranged from $38.06 to $85.79 per share. These prices represent market value on the dates granted as adjusted for stock dividends.

Note 7 EARNINGS PER SHARE

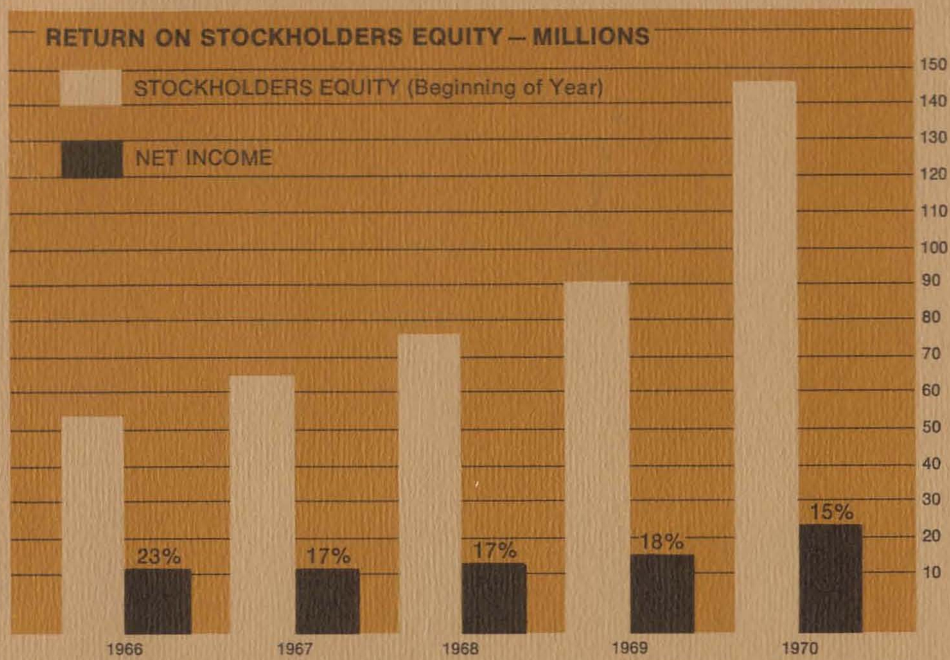
Earnings per common and common equivalent share have been computed on the basis of the average number of shares outstanding during each year. In addition it was assumed that all dilutive stock options had been exercised at the beginning of the year and that the proceeds had been used to purchase shares of the company's common stock at the average market price during the year.

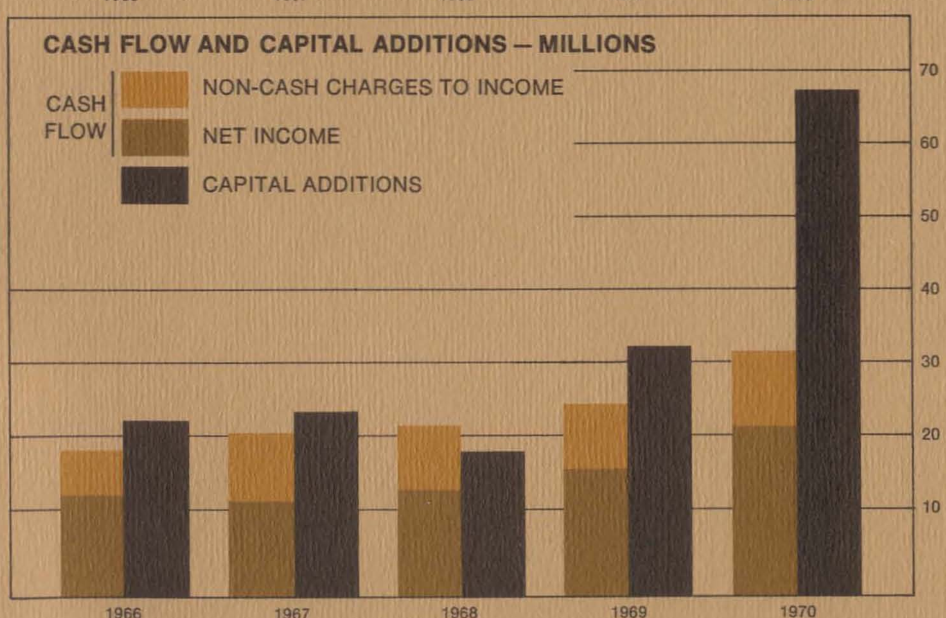
Earnings per common share — assuming full dilution — are based upon the assumption that, in addition to the exercise of the stock options, all previously outstanding convertible debentures had been converted into common stock on the dates of their issuance.

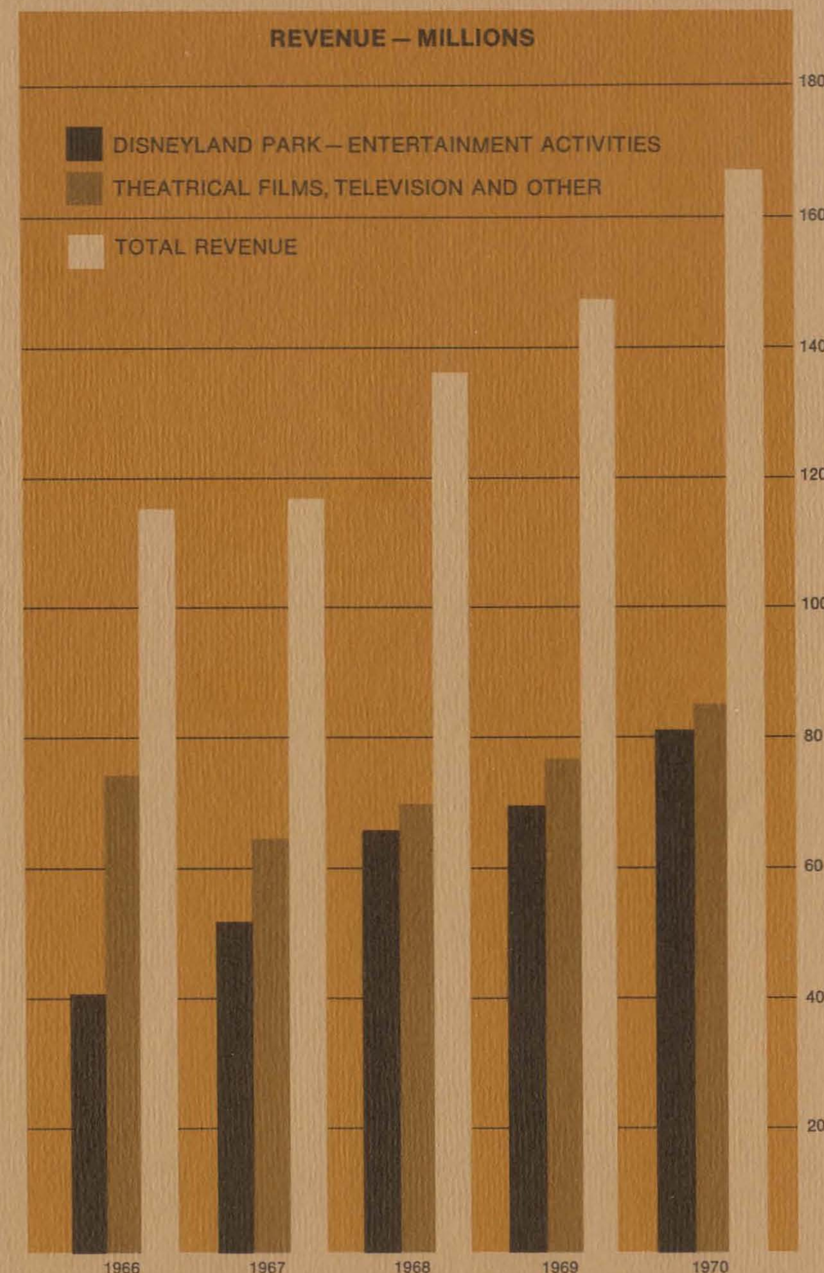
An allowance for estimated loss on Penn Central Transportation Company commercial paper amounting to $740,000, net of estimated tax benefits, reduced 1970 per share earnings by approximately 13 cents.

FIVE YEAR REVIEW *(000 omitted from dollar amounts except for per share amounts)*

FISCAL YEARS ENDED	*1970*	*1969*	*1968*	*1967*	*1966*
OPERATIONS					
Total revenues	167,103	148,367	137,146	117,486	116,543
Income before taxes on income	43,709	32,504	26,545	20,397	24,582
Taxes on income	21,950	16,700	13,440	10,030	12,190
Net income	21,759	15,804	13,106	11,267	12,392
Cash dividends	1,664	1,308	1,261	812	771
Stock dividends	2%	2%	3%	3%	3%
Retained in business	20,095	14,496	11,845	10,455	11,621
Depreciation and patents amortization	7,880	7,404	6,849	7,854	5,800
Net income					
Percent of total revenues	13.0%	10.7%	9.6%	9.6%	10.6%
Percent of stockholders equity (beginning of year)	14.9%	17.5%	17.0%	17.2%	23.3%
Per common and common equivalent shares	3.83	3.41	2.88	2.55	2.86
Cash dividends per share (on shares outstanding during the year)	.30	.30	.30	.20	.20
YEAR END FINANCIAL POSITION					
Current assets	92,704	124,417	77,592	43,429	38,090
Working capital	56,573	92,696	52,561	21,411	16,911
Entertainment attractions and facilities	87,657	86,049	78,361	75,941	54,867
Studio buildings, equipment and other properties	23,727	23,137	21,570	18,847	18,120
Construction in progress, Florida Project	98,947	36,277	13,438	1,173	151
Accumulated depreciation	55,317	48,199	41,554	35,518	28,687
Total assets	267,626	238,174	165,038	118,628	98,466
Stockholders equity	218,116	146,205	90,308	77,210	65,573
Per share	38.35	31.51	19.75	17.41	15.09
Average number of common and common equivalent shares outstanding during the year	5,687	4,640	4,572	4,435	4,345


RETURN ON STOCKHOLDERS EQUITY — MILLIONS
STOCKHOLDERS EQUITY (Beginning of Year)
NET INCOME
23%
17%
17%
18%
15%
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
1966
1967
1968
1969
1970


CASH FLOW AND CAPITAL ADDITIONS — MILLIONS
CASH FLOW
NON-CASH CHARGES TO INCOME
NET INCOME
CAPITAL ADDITIONS
70
60
50
40
30
20
10
1966
1967
1968
1969
1970


REVENUE — MILLIONS
DISNEYLAND PARK — ENTERTAINMENT ACTIVITIES
THEATRICAL FILMS, TELEVISION AND OTHER
TOTAL REVENUE
180
160
140
120
100
80
60
40
20
1966
1967
1968
1969
1970

PARENT COMPANY

WALT DISNEY PRODUCTIONS
500 So. Buena Vista Street, Burbank, California
Produces motion pictures for theatrical and television distribution — operates Disneyland Park — operates Celebrity Sports Center — conducts ancillary activities.

DOMESTIC SUBSIDIARIES

BUENA VISTA DISTRIBUTION COMPANY, INC.
Irving H. Ludwig — President
Distributes, syndicates and sells only the product of Walt Disney Productions comprised of 35mm theatrical film, television shows and records and albums.

BUENA VISTA INTERNATIONAL, INC.
Edmund F. Clarke — President
Supervises the distribution of Walt Disney Productions 35mm theatrical film, 16mm film and television shows in foreign countries.

WALT DISNEY MUSIC COMPANY
James A. Johnson — President
Music Publishing — ASCAP affiliate.

WONDERLAND MUSIC COMPANY, INC.
James A. Johnson — President
Music Publishing — BMI affiliate.

WALT DISNEY EDUCATIONAL MATERIALS COMPANY
Carl Nater — President
Distributor — 16mm Film and Educational Materials.

WED ENTERPRISES, INC., AND ITS SUBSIDIARY MAPO, INC.
Joseph W. Fowler — Chairman of the Board
Orbin V. Melton — President — Chief Administration Officer
Richard F. Irvine — Vice Chairman of the Board — Executive Vice President — Chief Operations Officer
John C. Hench — Vice President — Production
Imagineers, creates, designs and fabricates new projects.

WALT DISNEY WORLD CO.
Donn B. Tatum — President
William E. Potter — Vice President — EPCOT Planning

WALT DISNEY WORLD HOTEL CO.
John F. Curry — Director
Operate and Manage Hotels.

BUENA VISTA LAND CO.
Robert P. Foster — President
Real Estate Development.

VISTA-FLORIDA TELEPHONE SYSTEM (PARTNERSHIP)
David L. Kendall — General Manager
Telephone and Related Communications Services.

CORPORATE OFFICERS

Roy O. Disney	*Chairman of the Board*
Donn B. Tatum	*President and Vice Chairman of the Board*
E. Cardon Walker	*Executive Vice President and Chief Operating Officer*
Joseph W. Fowler	*Senior Vice President — Engineering and Construction*
William H. Anderson	*Vice President — Production and Studio Operations*
Nolan Browning	*Vice President — Finance — Florida Project*
Bonar Dyer	*Vice President — Industrial Relations*
Vincent H. Jefferds	*Vice President — Sales Promotion*
Oliver B. Johnston	*Vice President — Merchandising*
Ronald W. Miller	*Vice President — Executive Producer*
Richard T. Morrow	*Vice President — General Counsel*
Richard A. Nunis	*Vice President — Disneyland Operations*
Spencer C. Olin	*Vice President — Copyrights, Patents, Trademarks and General Attorney*
Franklin Waldheim	*Vice President and Eastern Counsel*
Luther R. Marr	*Secretary — Legal*
Michael L. Bagnall	*Assistant Secretary*
Douglas E. Houck	*Assistant Secretary*
Lawrence E. Tryon	*Treasurer*
Donald A. Escen	*Assistant Treasurer and Controller*
Leland L. Kirk	*Assistant Secretary-Treasurer*
Bruce F. Johnson	*Assistant Controller*
William T. Bertagna	*Assistant Controller*

STOCK TRANSFER AGENTS: Bank of America, N. T. & S. A., Los Angeles, California; Bankers Trust Company, New York, N.Y.

STOCK REGISTRARS: United California Bank, Los Angeles, California; First National City Bank, New York, N.Y.

STOCK EXCHANGES: The common stock of the Company is listed for trading on the New York and Pacific Coast Stock Exchanges.

INDEPENDENT ACCOUNTANTS: Price Waterhouse & Co., Los Angeles, California.

ANNUAL MEETING OF STOCKHOLDERS: First Tuesday in February.

Look to the name Walt Disney for the finest in family entertainment